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RELEASED IN PART  
B1, 1.4(D)PAGE 01 CARACA 12683 01 OF 02 291958Z  
ACTION ARA-01

INFO	LOG-00	AMAD-01	CIAE-00	DODE-00	HA-09	H-01	INRE-00
	INR-01	L-03	ADS-00	NSAE-00	NSCE-00	OMB-01	PA-01
	PM-01	PRS-01	P-01	SDEL-01	SNP-01	SP-01	SS-01
	TRSE-00	T-01	USIE-00	/026W			

-----B1C4E1 291958Z /38

P 291956Z NOV 91  
FM AMEMBASSY CARACAS  
TO SECSTATE WASHDC PRIORITY 6482  
INFO USINT HAVANA 2684  
AMEMBASSY SANTIAGO  
AMEMBASSY PORT AU PRINCE

C O N F I D E N T I A L SECTION 01 OF 02 CARACAS 12683

E.O. 12356: DECL:OADR  
TAGS: PGOV, PINR, PREL, CU, HA, VE  
SUBJECT: DOMESTIC AND FOREIGN SCENE/VIEWS OF A

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1. C - ENTIRE TEXT.

2. SUMMARY:  BLAMES THE  
GOVERNMENT FOR POOR ADMINISTRATION AND FAILURE TO EXPLAIN  
ITS POLICIES ADEQUATELY TO THE CONGRESS OR THE NATION. HE  
BELIEVES A MAJOR CABINET SHAKE-UP IS LIKELY IN JANUARY.  
HE DISCOUNTS ANY POSSIBILITY OF A RETURN TO PAST ECONOMIC

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POLICIES, SUCH AS PRICE CONTROLS, AND IS CONTEMPTUOUS OF  
SCARE-MONGERING ABOUT DANGERS OF A COUP.  JUST  
RETURNED FROM A SOCIALIST INTERNATIONAL MEETING IN CHILE,  
AND PLANS TO GO TO HAVANA IN DECEMBER. END SUMMARY

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3. ON NOVEMBER 29, POLCOUNS HOSTED A BREAKFAST FOR 

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[REDACTED] SOME POINTS OF  
INTEREST IN THE CONVERSATION:

ECONOMIC POLICY  
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4. [REDACTED] WAS DELIGHTED BY THE CANTV PRIVATIZATION SALE, ESPECIALLY BY THE PRICE IT BROUGHT. BUT, HE GRUMBLED, THE GOV HAD BEEN VERY INEFFECTIVE LATELY IN MAKING ITS CASE TO THE PEOPLE. HE WAS SURE THAT "REAL" INFLATION WAS HIGHER THAN OFFICIALLY REPORTED. NONETHELESS, HE DISMISSED PERIODIC ATTEMPTS TO REOPEN THE ISSUE OF PRICE CONTROLS ON FOOD: THAT WOULD BE A "STEP BACKWARD", AND HE DOES NOT EXPECT TO SEE IT HAPPEN. IF ONLY THE GOVERNMENT WOULD LEARN TO RAISE THE "MOST SENSITIVE" PRICES -- GASOLINE AND BUS FARES -- BY SMALL

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MONTHLY INCREMENTS, HE THOUGHT MUCH OF THE RECENT UNREST COULD HAVE BEEN AVOIDED. POLCOUNS NOTED THAT THE GOV HAD SEVERAL TIMES IN THE LAST TWO YEARS ANNOUNCED ITS INTENTION TO DO JUST THAT BUT, FOR WHATEVER REASON, MANY MONTHLY INCREASES WERE "FORGOTTEN", LEAVING THE GOV WITH THE NEED TO PERIODICALLY PLAY CATCH-UP.

5. [REDACTED] CLAIMED THAT THE GOV'S BUDGET DEFICIT WAS PRODUCED NOT ONLY BY OVER-SPENDING, BUT BY ITS CHOSEN MEASURE OF FINANCING, THE ZERO-COUPON BONDS. HE CLAIMED, WITHOUT FURTHER DETAILS, THAT THIS WAS A "VERY EXPENSIVE" WAY OF FINANCING GOVERNMENT IN THE SHORT TERM AND ARE EXPENSIVE IN TERMS OF THE INTEREST PAID ON THEM; COMMERCIAL BANKS LIKE THE BONDS BECAUSE THEY EARN A HIGH RATE.)

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CABINET CHANGES  
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6. [REDACTED] BELIEVES THERE WILL BE A MAJOR SHAKE-UP IN JANUARY. IT WOULD BE A MISTAKE TO DO IT NOW, SINCE IT MIGHT LOOK LIKE PANIC. (IN THAT REGARD, HE DISMISSED AS PURE PUBLIC-RELATIONS THE RECENT SCARE-MONGERING ABOUT A MILITARY COUP. THE COUNTRY HAS PROBLEMS, BUT A COUP IS

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NOT THE ANSWER TO ANYTHING, AND "EVERYONE" KNOWS IT.) AT THE TOP OF HIS LIST FOR CABINET CHANGES IS THE INTERIOR MINISTRY. ALEJANDRO IZAGUIRRE IS "INERT". THE COUNTRY IS HAVING A CRISIS OF PERSONAL SECURITY. WHERE IS THE MINISTER? POLCOUNS IN REPLY NOTED IZAGUIRRE'S REPUTATION FOR HONESTY. [REDACTED] ACCEPTED THE POINT, ADDING THAT HONESTY IS NOT ENOUGH IN ITSELF. (COMMENT: IN A RECENT

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MEETING WITH AMBASSADOR, REF CARACAS 12635, IZAGUIRRE CONFIRMED THAT HE WILL BE LEAVING AROUND THE END OF THE YEAR.) POLCOUNS ASKED WHO WAS BEING MENTIONED AS THE REPLACEMENT. [REDACTED] SURPRISINGLY, THAT OSCAR CELLI GERBASI HEADED THE LIST. (OSCAR CELLI IS THE YOUNGER BROTHER OF AD PARTY PRESIDENT HUMBERTO CELLI. HE IS A FORMER GOVERNOR OF CARABOBO STATE, [REDACTED]

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TO SECSTATE WASHDC PRIORITY 6483  
INFO USINT HAVANA 2685  
AMEMBASSY SANTIAGO

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AMEMBASSY PORT AU PRINCE

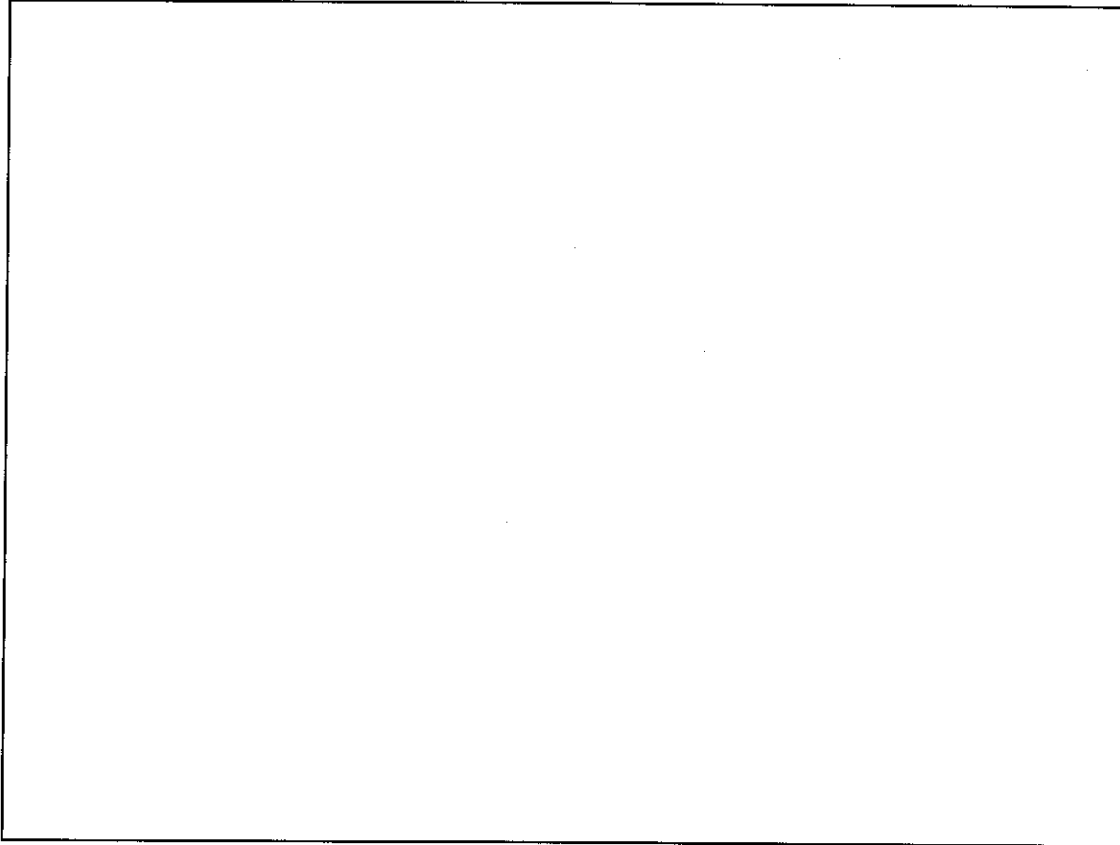
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FOREIGN TRAVELS: HAITI, CUBA  
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7. [ ] RETURNED THE EVENING OF NOVEMBER 28 FROM AN SI MEETING IN SANTIAGO DE CHILE. HAITI WAS DISCUSSED THERE. HE MENTIONED THAT SERGE GILLES HAD ATTENDED.

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[ ] COMMENTED THAT THE EMBARGO OF HAITI WAS INEFFECTIVE, BECAUS THE HAITIAN MILITARY HAD FUNDS FROM NARCO-TRAFFICKING AND WAS GETTING ENOUGH FOREIGN GOODS TO SURVIVE. HE INSTANCED RUMORS OF SEVERAL OIL TANKERS, INCLUDING ONE THAT HAD ARRIVED IN THE LAST FEW DAYS. (A PICTURE OF THE ARRIVING TANKER WAS IN THE NOVEMBER 29 CARACAS PRESS.) [ ] ARGUED THAT RESTORING CONSTITUTIONAL GOVERNMENT TO HAITI WOULD REQUIRE AN ARMED BLOCKADE. HE ADDED, HOWEVER, THAT ONE OR TWO KEY LATIN

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COUNTRIES (MEXICO AND BRASIL) PROBABLY WOULD STILL OPPOSE ANY SUCH ACTION UNDER OAS AUTHORITY. POLCOUNS ASKED WHAT THE HAITIANS IN SANTIAGO HAD SAID ABOUT A POSSIBLE BLOCKADE. [ ] REPLIED THAT THEY OPPOSED THE IDEA. (COMMENT: [ ] IS WAY AHEAD OF HIS PARTY AND  
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VENEZUELAN OPINION IN GENERAL, WITH HIS ACTIVIST ATTITUDE TOWARD THE HAITI CRISIS. WE SUSPECT THAT, IF ASKED PUBLICLY, HE ALSO WOULD BE MUCH MORE CAUTIOUS.)

8. [ ] REVEALED THAT HE WILL ACCOMPANY AD PRESIDENT HUMBERTO CELLI (THE CURRENT PRESIDENT OF THE LATIN AMERICAN PARLIAMENT) ON A VISIT TO CUBA DECEMBER 9. MAIN SUBSTANTIVE BUSINESS HAS TO DO WITH THE PARLIAMENT'S HEALTH COMMITTEE. [ ] SAID, IN RESPONSE TO A QUESTION, THAT HE DID NOT THINK CASTRO WOULD HEAVILY PUBLICIZE THE VISIT. [ ] ASKED ABOUT THE USG'S VIEW OF PROSPECTS FOR CUBA. POLCOUNS REPLIED THAT CASTRO NEEDED TO AGREE TO FREE ELECTIONS, INTERNATIONALLY SUPERVISED. [ ] ASKED IF THE U.S. AND CUBA COULD IMPROVE OUR DIALOGUE, AND SUGGESTED THAT OPENNESS MIGHT CHANGE THE CUBAN REGIME FASTER THAN A CONTINUED EMBARGO. POLCOUNS REPLIED THAT WE HAD EXISTING MECHANISMS FOR DIALOGUE, THROUGH OUR RESPECTIVE INTEREST SECTIONS, BUT THAT CASTRO FOR NOW DID NOT APPEAR SERIOUS ABOUT CHANGE. [ ] CONCLUDED THE TOPIC BY COMMENTING THAT HE THOUGHT CASTRO WOULD HANG ON LONGER THAN MANY PEOPLE NOW BELIEVE.

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9. MINIMIZE CONSIDERED.  
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